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TREASURY DEPARTMENT
FOREIGN ASSETS CONTROL
2007 JUL 19 P 4: 21

VIA FACSIMILE (202)622-1657

July 19, 2002

Chief of Records
Office of Foreign Assets Control
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220
ATTN: Request for Comments

Re: **Proposed Rule - Disclosure of OFAC Penalties**

Dear Sir or Madam:

The Credit Union National Association (CUNA) appreciates the opportunity to comment on the proposed rule regarding the public disclosure of penalties that are imposed by the Office of Foreign Assets Control (OFAC), which appeared in the *federal Register* on June 19, 2002. CUNA represents more than 90 percent of our nation's 10,500 state and federal credit unions.

Summary of CUNA's Position

- CUNA does not support the current proposal regarding the public disclosure of OFAC penalties. We have always been concerned that the ever-increasing complexity of the OFAC sanctions programs raises the risk that entities may mistakenly violate the requirements. Publicly disclosing such violations would aggravate this potential problem by ruining the reputation of those entities that would be affected.
- If OFAC proceeds with this rule regarding the public disclosure of penalties, we suggest that OFAC provide the affected parties a period of time, such as ninety days or more, so that they can correct the violation. If the penalty is ultimately disclosed, this would also provide these entities with a reasonable opportunity to advise their members or customers of the circumstances of the situation and to persuade them not to take unnecessary actions to alter their relationships with the institution.

Under the proposed rule, OFAC will disclose to the public certain information about civil penalties that are imposed, as well as informal settlements. This information will be disclosed periodically, which will be at least on a quarterly basis.

CUNA recognizes that the goal of the proposed rule is to **provide** more information to the public in order to promote greater awareness of its enforcement activities and to encourage greater compliance with the OFAC sanctions program. Although we generally support efforts in favor of transparent government and disclosure of violations of law, we **believe** that disclosing information about OFAC penalties may unfairly impact some of the entities that are listed.

The burdens of complying with the OFAC sanctions program are already quite substantial, which includes significant monitoring of an ever-changing list of terrorist or money laundering suspects, as well as very steep penalties for noncompliance. Although most large financial institutions use specialized software to filter or track transactions for purposes of OFAC compliance, such software is prohibitively expensive for many small credit unions.

Public disclosure of OFAC violations would add even more to this substantial burden for any credit union that **may** have inadvertently violated an OFAC requirement. We have always been concerned that the ever-increasing complexity of the OFAC sanctions programs raises the risk that entities may mistakenly violate the requirements. Publicly disclosing such violations would **aggravate** this potential **problem** by ruining the reputation of those entities that would be affected.

For credit unions, the consequences would be severe. If a **credit** union inadvertently violated an OFAC reporting requirement, the public disclosure of such a violation may cause members to **lose** confidence in their credit union. Severe liquidity problems could **result** if a number of credit union members were to terminate their membership or otherwise **withdraw** funds **from their** accounts. This would not only impact the credit union, but the members would be adversely impacted by the resulting fear that they **may** experience and the inconvenience of altering their financial accounts.

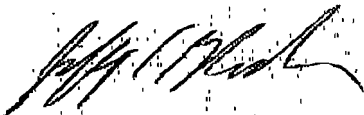
Such public disclosure may actually exacerbate the current situation resulting from the crisis of confidence that now **exists** in our economy as a **result** of a number of accounting scandals affecting a growing number of **large** corporations. Although we certainly support disclosing the actions of guilty parties, we believe that the harm caused to credit unions and their members by disclosing inadvertent OFAC violations outweighs the possible benefit that the rest of the public would receive from **such** disclosures, which we **believe** would be insignificant. Also, the penalties that **these** credit unions would have to bear will be substantial, regardless of whether they are publicly disclosed, and **these**

penalties will provide sufficient incentive for credit unions to avoid future, inadvertent violations.

If OFAC proceeds with this rule regarding the public disclosure of penalties, we suggest that OFAC provide the affected parties a period of time, such as ninety days or more, so that they can correct the violation in order to avoid public disclosure. If the disclosure would still have to be made public, this period of time would also provide these entities with a reasonable opportunity to advise their members or customers of the circumstances of the situation and to persuade them not to take actions to alter their relationships with the institution.

Thank you for the opportunity to comment on the proposed rule regarding the public disclosure of OFAC penalties. If you or other staff have questions about our comments, please give Associate General Counsel Mary Dunn or me a call at 1-800-356-9655.

Sincerely,



Jeffrey Bloch
Assistant General Counsel